



STAYING connected



MoDOT & Patrol Employees' Retirement System

December 2009



Susie Dahl,
Executive Director

Note from the Executive Director:

The Security of Your MPERS Benefits

If you are concerned about the economic events of the past year, you are not alone. First and foremost, the understanding I hope you take away from reading this message is that your retirement benefits are secure!

Your Retirement Benefits

As a retiree of MPERS, your benefits will continue to be paid. Legally, your benefits cannot be changed or taken away.

It is, however, possible for legislation to be introduced and passed that would change retirement benefits for **active** members (going forward) and new hires. From a legal perspective, it is highly unlikely to impact or change benefits that have already been earned.

Funded Status of the System

Presently, MPERS has a funded ratio of 47.9%. This ratio is a very basic measure of the system's assets to its benefit liability. Today, we have about \$.48 of every dollar needed to pay benefits. The good news is that we have a long-term horizon to accumulate the remainder of the money needed to pay the liabilities of the system. The MPERS Board of Trustees takes this underfunded status very seriously and is working toward a goal of being 100% funded. Achieving this goal will take time, increased contributions, enhanced investment returns, and possibly benefit changes for future members of the system.

What Happened?

There is no single reason for the funding shortfall. Most recently, the December 21st Wall Street Journal reported that "in nearly 200 years of recorded stock-market history, no calendar decade has seen such a dismal performance as the 2000s." Decisions made by multiple groups over the years regarding benefit increases, plan assumptions, contributions, and investment policy, coupled with market declines in the past decade have resulted in an unfunded liability of approximately \$1.6 billion.

The Plan of Action

When the system's funded status falls below 60%, state law requires our actuary to prepare an accelerated funding schedule for the Board's consideration. The accelerated funding schedule allows the unfunded liability (the employer's IOU to the system) to be paid off sooner. This is similar to making an extra mortgage payment on your house each year to reduce the loan period. In this case, the Board voted to require the employers to contribute an additional \$5 million per year for 15 years. Paying more into the system today, so the money can be invested and earn investment proceeds, could ultimately reduce costs to the employers. At the September 2009 Board meeting, the MPERS Board voted to adopt the accelerated schedule to ensure that it can meet its commitments to members today, as well as in the future.

As a beneficiary, it is important for you to know the status of your retirement system. We want you to know that the Board and staff are very committed to improving the funded status of the system and ensuring that the promises made to you by your employer and the State of Missouri are fulfilled.

All of us at MPERS wish you a blessed holiday season!

COLA Rates for 2010

Closed Plan retirees/payees who have **NOT** reached their 65% cost-of-living allowance (COLA) cap will receive a 4% COLA in October 2010. Generally speaking, the COLA cap under the Closed Plan is reached in approximately 12 years (includes the BackDROP period, if applicable).

Regretfully, all other retirees/payees will **NOT** receive a COLA in 2010. This will be the first 0% COLA year since 1977, when the initial COLA law was passed and enacted. This group includes:

- Year 2000 Plan retirees/payees.
- Closed Plan retirees/payees who have already met their COLA cap.
- Closed Plan retirees/payees who were hired on or after August 28, 1997.

The annual COLA rate is based on a percentage increase in the Consumer Price Index for all Urban Consumers (CPI-U). With consumer prices down in 2009, as compared to 2008, it is safe to announce the 2010 rates.

The laws authorizing MPERS to pay COLAs also dictate how the annual COLA rate is determined.



Tax Withholding Notice

The Tax Equity and Fiscal Responsibility Act of 1982 requires that we remind you each year that the monthly benefit payments you receive from MPERS are subject to federal tax withholding.

1099-R Tax Forms Will be Mailed in January

Tax time is here again. The 1099-R tax forms are scheduled to be mailed to you in late January. You will need this form to file your 2009 tax return.

If you received more than one type of benefit payment from MPERS in 2009, you will receive a separate 1099-R for each type of benefit payment. For example, if you received a BackDROP payment in 2009, in addition to your monthly benefit payments, you will receive a 1099-R for your BackDROP and a separate 1099-R for your monthly benefit payments. All 1099-Rs will be mailed at the same time.

If you claim residence in Missouri, your benefits are also subject to state tax. MPERS will withhold Missouri income tax at your request.

MPERS does **not** withhold state taxes for any state other than Missouri. If you have questions regarding state taxes where you live, we recommend you contact the appropriate state and local tax authorities in your state.

Keep in mind that you may change your tax withholding election at any time. Whenever you wish to change your tax withholdings, you may do so by completing a new *Substitute W-4P*, which can be found on our website at **www.mpers.org**, or you can contact our office and a form will be mailed to you. For your convenience, there is a federal and Missouri State tax withholding calculator on MPERS' website.

Board of Trustees Meeting Summary

December 7, 2009 Meeting



Audit Report

Each year, an independent auditor reviews the financial statements of the system and provides an opinion as to whether or not our statements are free of material misstatement. The audits are conducted in accordance with "U.S. generally accepted auditing standards." Mike Oldelehr, of Williams-Keepers LLC, reported the fiscal year 2009 financial statements are in order and fairly represent the net assets of the system. The auditor's report is contained in the Financial Section of MPERS' *2009 Comprehensive Annual Financial Report*, which will be available online.

Missouri Budget Issues

While funding for MPERS is not directly tied to the state's budget, being informed about the overall health of the state is important as we move forward into a period of serious revenue declines. Mr. James Moody, of James R. Moody and Associates, presented a budget overview that outlines future revenue projections for the coming year. Mr. Moody has spoken on this subject with MOSERS, the University of Missouri Board of Curators, the Missouri Higher Education Partnership, the Columbia Economic Development Conference, and the St. Louis Regional Chamber and Growth Association.

2010 Board Meeting Calendar

The 2010 MPERS Board meetings have been set for:

- Thursday, January 21
- Thursday, March 25
- Wednesday, June 30
- Thursday, September 30
- Thursday, November 18

Adoption of Administrative Rules

MPERS has the authority to adopt rules to properly administer the system and govern its own proceedings. To implement proper administrative procedures for hearings and rule making, MPERS is required to establish written procedures with equivalent constitutional due process safeguards.

MPERS' General Counsel, Keith Thornburg, drafted and presented proper procedural rules for the Board's approval. Any new or amended Board rule will be posted at the MPERS office and on the MPERS website (www.mpers.org) for a comment period of 30 days.

Investment Report

Larry Krummen, MPERS Chief Investment Officer, and Tom Pollihan, Summit Strategies Group, reported that the 3rd quarter was a strong quarter for investment returns, as financial markets continued to rebound off the lows set in March of 2009. The investment portfolio generated a 10.2% return during the quarter, representing investment gains of \$124 million.

Watch Your Mailbox for Details: Board Member Elections Coming in 2010

MPERS' Board of Trustees includes a retired representative from MoDOT (Bob Sfreddo) and a retired representative from Highway Patrol (Roger Stottlemire). Their terms expire June 30, 2010.

March - Nomination forms will be mailed to all eligible retirees.

April - Ballots will be mailed to retirees.

June - Results announced at Board meeting.



Missouri State Tax - Public Pension Exemption

(Share with your tax preparer)

Source: Missouri Department of Revenue Website

Married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct the greater of \$6,000 or 50% of their public retirement benefits, to the extent the amounts are included in their federal adjusted gross income. The deductible percentage of their public retirement benefits will increase until 2012.

A breakdown of the yearly percentage is as follows:

Year	Limit
2007	20%
2008	35%
2009	50%
2010	65%
2011	80%
2012 and forward	100%

The total public pension exemption is limited to the maximum social security benefit of each spouse.

Married couples with Missouri adjusted gross income greater than \$100,000 and single individuals with Missouri adjusted gross income greater than \$85,000 may qualify for a partial exemption. See the public pension exemption eligibility chart on the Missouri Department of Revenue's website (www.dor.mo.gov) or complete the public pension calculation located on the **MO-A** tax form to determine if you are eligible. **(If you have questions regarding your taxes, please contact a tax professional. MPERS staff cannot answer your tax questions.)**

Missouri Department of Revenue Tax Assistance Centers

Office Hours:

Monday - Friday

January - April 7:30 a.m. - 5:30 p.m.

May - December 8:00 a.m. - 5:00 p.m.

Jefferson City

Phone: (573) 751-7191

Email: jctax@dor.mo.gov

Cape Girardeau

Phone: (573) 290-5850

Email: capetax@dor.mo.gov

Joplin

Phone: (417) 629-3070

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Kansas City

Phone: (816) 889-2920

Email: kctax@dor.mo.gov

Springfield

Phone: (417) 895-6474

Email: sprtax@dor.mo.gov

St. Joseph

Phone: (816) 387-2230

Email: stjtax@dor.mo.gov

St. Louis

Phone: (314) 877-0177

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